

reductions

SENATE FINANCE & CLAIMS ³

Exhibit No. 3

Date 3-19-11

HOUSE BILL 2 – SECTION E (EDUCATION)

Bill No. HB 2

BUDGET PRESENTATION FOR SENATE FINANCE & CLAIMS COMMITTEE

Senate Members of the Subcommittee: Sen. Barrett (Vice Chair), Senator Hamlett, Senator Hawks, Senator Jones
House Members of the Subcommittee: Rep. Hollandsworth (Chair), Rep. Mehlhoff, Rep. Osmundson

Section E includes all of the education and education related agencies in state government which include the following budgets:

- The Office of Public Instruction
- The Board of Public Education
- 2 The Montana School for the Deaf and Blind
- Montana Arts Council
- Montana Library Commission
- Montana Historical Society
- 1 • University System/Commissioner of Higher Education –

Overall funding for Section E agencies in HB 2 is:

- **\$2.342 billion total funds for the 2013 biennium**
- **\$1.649 billion general fund for the 2013 biennium**

Compared to the 2011 biennium, the total funds budget for Section E agencies in the 2013 biennium increases \$185 million, primarily due to changes in K-12 funding through HB 2. General fund increases \$44 million in the 2013 biennium compared to the last biennium as the state fiscal stabilization funds from the 2009 federal stimulus bill used in the K-12 and higher education budgets in the 2011 biennium were replaced with general fund in the 2013 biennium.

Compared to the proposed executive budget, the total funds budget for Section E agencies in the 2013 biennium increases \$20 million, primarily due to changes in K-12 funding through HB 2. The general fund in HB 2 for the Section E agencies is \$70 million LESS than the Governor's proposed budget for the 2013 biennium.

Remember most of the reductions were made to increase

The Office of Public Instruction – HB2 Narrative page E-1

Total 2013 Biennium Budget = \$1.798 Billion

General Fund 2013 Biennium - \$1.267 billion (70%)

- ♦ HB2 includes the following present law increases compared to the doubled FY 2010 base budget.
 - \$210.4 million for adjustments to the general fund for changes in revenue in the guarantee account, which replaces \$81 million in Arch Coal bonus money, and increases in Base Aid to fund the FY 2011 basic and per-ANB entitlements
 - \$19.1 million in primarily federal IDEA and Title 1 monies
 - Pays for school facilities debt service (\$17.2 million) from the school facilities and technology fund

In the K-12 distribution program, HB 2 contains the following new proposals:

A direct biennial appropriation of \$90.8 million in Interest and Income from state lands from the guarantee account for direct state aid. This money is statutorily appropriated under current law. This appropriation is contingent on passage and approval of LC 498 (SB403) that makes the guarantee account directly appropriated.

A biennial appropriation fund switch of \$70.5 million; general fund appropriation authority for Base Aid was reduced by this amount and a new appropriation for Base Aid from the guarantee account was created in this amount. This is contingent upon LC532 (HB604-Cook) and HB42 to transfer \$32.85 into the guarantee account.

In House Appropriations, several K-12 appropriations for K-12 aid were made contingent upon LC498 (SB403), a bill to redistribute school district oil and gas revenues to the state guarantee account and to create a data system that will lead to school improvement. This contingency was removed on the House floor from the following appropriation items which remain in language. Also removed on the House floor was the appropriation for the Pathways to Improvement Program, that was contingent on SB 403. These items are appropriated out of the guarantee fund and total \$30.8 million:

- Base Aid Inflation - ~~\$29.6 million~~ \$12.1 million
- At-Risk Student Payment - \$10.0 million
- Special Ed Maintenance of Effort and Associated Base Aid - \$3.1 million
- Transportation increase - \$0.5 million
- School Lunch Increase - \$0.043 million
- Reestablish In-State Treatment - \$1.6 million
- Reestablish Secondary Vo-Ed - \$2.0 million
- Reestablish – Adult Basic Education - \$1.05 million
- Reestablish Gifted and Talented - \$0.5 million
- School Districts Audit Increase - \$0.028 million
- ~~Pathway to Improvement Program - \$10.5 million~~

LC498 (SB403) also eliminates the school facility and technology account beginning July 1, 2011, moves the ending fund balance into the guarantee account, and directs that the revenues now distributed to, and expenditures now spent out of, the school facility and technology account will be in the guarantee account.

US Mineral royalties (\$60.5 million) are distributed into the guarantee account contingent on HB 316 passing

Comparison to Executive

Program 6 - State level activities - The legislature funded school food commodities storage costs, national student clearinghouse data, federal funding for longitudinal student data system, funds for teacher data and the digital

academy. The legislative budget is \$1.0 million lower than the 2011 biennium, due to the adoption of the 5% plan and the non-approval of national board-certified stipends and increases in the audiology contract.

Program 9 – Distribution to Schools – The legislature funded the replacement of the Arch Coal bonus payment that occurred in the base year (\$175.8m), funded entitlements at FY 2011 levels (\$34.5m), and funded the school facility reimbursement payment from the school facility account (\$17.2m).

The funding level of HB 2 at the moment is \$23.3 million below the level requested by the executive. This includes Base aid inflation (-\$17.5m), Special Education inflation (-\$2.7m), HB 124 block grant growth (-\$2.4m), quality educator inflation (-\$0.5 million).

The legislature also did not switch funding for the quality educator payment to a new Teach Montana fund, nor redistribute 90 percent of oil and gas revenues from school districts. The bill that did this is HB 136 and has been tabled in House Education Committee.

The Board of Public Education – HB2 narrative page E-17

Total 2013 Biennium Budget = \$776,986

General Fund 2013 Biennium - \$419,348 (54%)

Budget Highlights

- The legislature chose to implement a 5% base reduction to general fund and state special revenue
- The legislature recommends implementation legislation to increase revenues to the research fund by increasing teacher certification fees
 - Teacher certification fees have not been increased since 1991
 - Currently the fee is \$6.00 per year and proposed increase is \$10.00
 - \$1 of the \$4 increase will go to the Certification and Standards Practices Advisory Council
 - \$3 of the \$4 increase will go to research and support of the Board.
 - Both uses are allowed in law, both funds have spent down fund balance considerably

Comparison to Executive

- The legislative budget is 3.8% lower than the executive request due to:
 - implementation of a 5% reduction plan

The Montana School for the Deaf and Blind – HB 2 Narrative page E-19

Total 2013 Biennium Budget = \$12.6 Million

General Fund 2013 Biennium - \$ 11.9 million (94%)

Budget Highlights

- The legislature approved a budget for the 2013 biennium slightly lower than the 2011 biennium, primarily due to adopting a portion of the agency's 5% plan, partially offset by statewide present law adjustments
- A funding switch between state special revenue and federal revenue was approved to implement an audit requirement regarding the recording of and subsequent expenditure of Medicaid reimbursements
- HB 2 does not include funding for extracurricular activities

Comparison to Executive

- The legislative budget is .05% lower than the executive request due primarily to statewide present law adjustments and the 5% reduction plan
- The legislature chose to restore 1.25 FTE in the 5% plan at a reduced level of funding

Montana Arts Council – HB 2 Narrative page E-30

Total 2013 Biennium Budget = \$2.9 million
General Fund 2013 Biennium - \$0.9 million (30%)

Budget Highlights:

- The Montana Arts Council budget increases 13% in the 2013 biennium due to an anticipated increase in its federal grant from the National Endowment for the Arts.
- The legislative budget continues the 17-7-140 MCA general fund reductions from the 2011 biennium
- Due to its small size, the legislature exempts this agency from vacancy savings and the 5% reduction plan

Comparison to Executive budget

- The legislative budget is \$28,000 less than the proposed executive budget as the request for increased office rent, computer replacement, and increased production and circulation costs for the agency's State of the Arts newspaper was not funded.

Montana Library Commission – HB 2 Narrative E-33

Total 2013 Biennium Budget = \$9.0 million
General Fund 2013 Biennium - \$5.3 million (59%)

Budget Highlights:

- The library budget decreases \$300,000 in the 2013 biennium primarily due to the 5% reduction plan adopted by the legislature.

Comparison to Executive

- The legislature approved a budget that is \$215,000 less than the executive budget proposal. This difference is due to the legislature implementing the entire 5% reduction plan for the Library, rather than a lower amount included in the executive budget.

Montana Historical Society – HB 2 Narrative page E-37

Total 2013 Biennium Budget = \$9.0 million
General Fund 2013 Biennium - \$5.7 million (64%)

Budget Highlights:

- The Historical Society Budget increases primarily due to statewide present law adjustments
- The legislature adopted the 5% reduction for the Historical Society

Comparison to Executive

- The legislature approved a budget that is \$69,000 less than the executive budget proposal because the legislature eliminated the transfer of general fund to the proprietary fund in the publication program, thus eliminating the double counting of program revenues and expenditures in the proprietary fund.

HB 477

- A committee bill was introduced (HB 477) to permanently allocate lodging facility use tax to the Montana Historical Society for historical interpretation and Scriver collection costs and to require that the funds be appropriated in HB 2 so the agency functions are more transparent during the budgeting process.

Why this bill was introduced

- This bill implements long-standing legislative intent to fund historical interpretation and Scriver collection costs at the Montana Historical Society from the lodging facility use tax
- Over the past several biennia the legislature has used a variety of techniques in the appropriations process to transfer lodging facility use taxes from the Department of Commerce to the Montana Historical Society for historical interpretation and Scriver collection costs; but legislative legal staff determined these techniques were inappropriate
- Currently, funds are transferred from the Department of Commerce to the Montana Historical Society under a memorandum of understanding (MOU). The current funding mechanism relies upon the executive branch complying with legislative intent and goodwill between the executive and legislative branches of government

Montana University System – HB 2 Narrative page E-52

Total 2013 Biennium Budget = \$510.4 million

General Fund 2013 Biennium = \$357.6 million (70%)

Budget Highlights:

- Total funding for the Montana University System increases 1% in the 2013 biennium compared to the 2011 biennium base budget
- The legislature adopted the 5% reduction plan for the university system which reduced the base budget \$14.6 million. This reduction impacts all areas, including the state funds transferred to the university units and research agencies, community colleges, and tribal college assistance
- The legislature funded the state share of the community college funding formula at 45.8% in the 2013 biennium and the state share of the present law adjustments for the university units and research agencies at an average of 47.7%

Comparison to Executive

- The legislative budget is \$32.3 million less than the proposed executive budget. The difference is due to
 - Full implementation of the 5% reduction plan
 - Reduced state share for community colleges and the educational units and agencies compared to the executive recommendation
 - Not adopting four executive budget new proposals (dual enrollment, university system funding, PBS, and Biodiesel research)